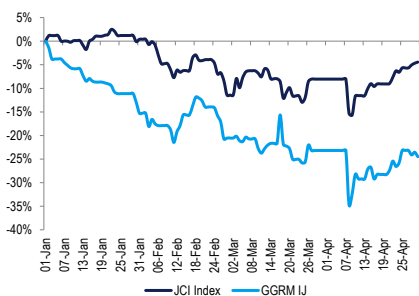


Stock Data

Target price	Rp6,900
Prior TP	Rp6,900
Current price	Rp10,025
Upside/downside	-31.2%
Shares outstanding (mn)	1,924
Market cap (Rp bn)	19,289
Free float	24%
Avg. 6m daily T/O (Rp bn)	6

Price Performance

	3M	6M	12M
Absolute	-15.0%	-32.6%	-44.0%
vs. JCI	-9.5%	-21.6%	-39.1%
52w low/high (Rp)	8,675 – 19,375		



Major Shareholders

PT. Suryaduta Investama	69.3%
PT. Suryamitra Kusuma	6.26%

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1Q25 results: soft profit from weak topline growth and GPM

- 1Q25 net profit of Rp104bn (-82.5% yoy) was below our/consensus estimate at 5% (vs. 5yr avg of 40%). 1Q25 sales was also below.
- Opex to sales increased to 8.3% (+74bps yoy) amid soft topline growth of -12.6% yoy (vs. opex's -3.3% yoy).
- Maintain our SELL rating with an unchanged TP of Rp6,900/sh.

1Q25 earnings miss our/consensus estimate

GGRM booked 1Q25 net profit of Rp104bn (-82.5% yoy) and this was below ours/consensus estimates at 5% (vs. 5yr avg of 40%) due to softer topline growth and GPM. 1Q25 cigarette sales declined to Rp22.9tr (-12.6% yoy) and this was below consensus estimate at 22% (vs. 5yr avg of 25%); but, in-line with ours' at 23%. We note that 1Q25 revenue decline of -12.6% yoy was attributed by SKM/SKT's -11.7/-17.8% yoy.

Margin deterioration on both GPM and opex side

1Q25 GPM fell to 9.2% (-191bps yoy) despite flat FY25F excise hike. We expect a soft 1Q25 GPM was due to product mix changes. In addition, opex to sales increased to 8.3% (+74bps yoy) as its sales declined by -12.6% yoy outpacing the opex drop of -3.3% yoy. Hence, EBIT margin dropped to 0.9% (-265bps yoy). Furthermore, the company recorded tax effect of permanent differences at Rp44.6bn, resulting in higher effective tax rate of 44.9% (vs. 24.7% in 1Q24). Thus, NPM dropped to 0.5% (-181bps yoy).

Muted price adjustment in FY25F from soft sales volume

Based on our channel check, GGRM only increased its 1Q25 ASP by 1.7% yoy, indicating its 1Q25 sales volume significantly dropped by c.-14% yoy. In addition, GGRM has fulfilled the 85% FY25F minimum retail price (HJE) with 6.4% above HJE. Given a soft sales volume, we expect GGRM's price hike to be muted in FY25F.

Maintain SELL with unchanged TP of Rp6,900/sh

We maintain SELL with TP of Rp6,900/sh based on 6.0x FY25F PE (-1.5 s.d. from its 3yr mean). Risk to our call: softer sales volume than expected.

Financial Summary (Rp bn)	2023A	2024A	2025F	2026F	2027F
Revenue	118,953	98,655	93,928	98,569	103,443
EBITDA	10,362	4,684	6,081	5,793	5,752
EBITDA growth	51.7%	-54.8%	29.8%	-4.7%	-0.7%
Net profit	5,325	981	2,214	1,847	1,616
EPS (Rp)	2,767	510	1,151	960	840
EPS growth	91.5%	-81.6%	125.7%	-16.6%	-12.5%
ROE	9.0%	1.6%	3.5%	2.8%	2.4%
PER (x)	3.6	19.7	8.7	10.4	11.9
EV/EBITDA (x)	2.7	5.3	3.4	3.2	2.8
Dividend yield	22.4%	22.4%	0.0%	0.0%	0.0%
Forecast change			0%	0%	0%
IPS vs. consensus			99%	78%	59%

Sources: Company, Indo Premier

Share price closing as of: 30 April 2025

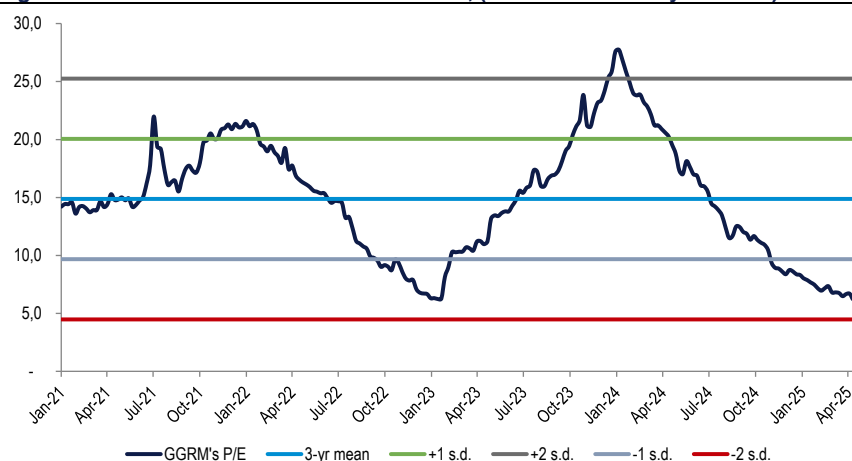
Fig. 1: GGRM's 1Q25 results

(Rp bn)	1Q25	1Q24	% YoY	4Q24	%QoQ	IPS FY25F	% IPS	Cons FY25F	% Cons	5yr avg
Total sales	23,066	26,265	-12.2%	24,762	-6.8%					
Cigarette sales	22,956	26,265	-12.6%	23,192	-1.0%	93,928	23%	95,968	22%	25%
Construction sales	111	-	#DIV/0!	1,570	N/A					
Total COGS	(21,061)	(23,473)	-10.3%	(22,703)	-7.2%					
Gross profit	2,005	2,792	-28.2%	2,059	-2.6%					
Cigarette GP	2,113	2,920	-27.6%	2,059	2.6%					
Construction GP*	(108)	(127)	N/A	-	N/A					
Opex	(1,808)	(1,870)	-3.3%	(1,996)	-9.5%					
EBIT	198	922	-78.5%	63	216.1%	3,072	6%	3,138	6%	38%
Other income (charges)	108	60	80.6%	(26)	NA					
PBT	195	791	-75.3%	23	742.2%					
Tax benefit (expense)	(88)	(196)	-55.2%	(35)	153.4%					
Net profit	104	596	-82.5%	(11)	N/A	2,214	5%	2,232	5%	40%
Margins										
Gross margin	9.2%	11.1%		8.9%						
EBIT margin	0.9%	3.5%		0.3%						
Net margin	0.5%	2.3%		0.0%						
**Based on cigarette sales										
Segment information										
Revenue breakdown										
SKM	20,629	23,353	-11.7%	20,704	-0.4%					
SKT	2,107	2,563	-17.8%	2,197	-4.1%					
Others	330	349	-5.4%	1,861	-82%					
Revenue contribution										
SKM	89.4%	88.9%		83.6%						
SKT	9.1%	9.8%		8.9%						
Others	1.4%	1.3%		7.5%						

Sources: Company, Bloomberg, Indo Premier

*Indo Premier Estimate

Fig. 2: GGRM is traded at 6.8x 12M forward P/E, (-1.1 s.d. from its 5-year mean)



Sources: Bloomberg, Indo Premier

Income Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
Net revenue	118,953	98,655	93,928	98,569	103,443
Cost of sales	(104,357)	(89,276)	(83,302)	(88,004)	(92,804)
Gross profit	14,596	9,380	10,626	10,565	10,638
SG&A Expenses	(7,335)	(7,690)	(7,554)	(7,890)	(8,112)
Operating profit	7,261	1,689	3,072	2,675	2,527
Net interest	(579)	(503)	(415)	(489)	(637)
Forex gain (loss)	6	33	0	0	0
Others	173	181	181	181	181
Pre-tax income	6,861	1,401	2,839	2,368	2,071
Income tax	(1,536)	(420)	(624)	(521)	(456)
Minority interest	(0)	(0)	(0)	(0)	(0)
Net income	5,325	981	2,214	1,847	1,616

Balance Sheet (Rp bn)	2023A	2024A	2025F	2026F	2027F
Cash & equivalent	4,256	3,706	6,880	12,334	17,770
Receivable	1,952	1,841	1,806	1,895	1,988
Inventory	46,486	40,426	39,407	40,426	41,360
Other current assets	1,421	1,618	1,558	1,617	1,679
Total current assets	54,115	47,591	49,651	56,272	62,797
Fixed assets	24,551	22,058	21,048	19,931	18,705
Goodwill	13,008	14,330	14,330	14,330	14,330
Total non-current assets	38,336	37,348	36,339	35,221	33,996
Total assets	92,451	84,939	85,990	91,493	96,793
ST loans	13,396	9,375	8,396	11,396	14,396
Payable	1,065	1,127	1,023	1,080	1,139
Other payables	433	209	199	209	220
Current portion of LT loans	0	0	0	0	0
Total current liab.	29,536	20,824	19,704	23,285	26,889
Long term loans	0	0	0	0	0
Other LT liab.	2,052	2,198	2,121	2,197	2,277
Total liabilities	31,588	23,023	21,826	25,482	29,166
Equity	1,016	1,016	1,016	1,016	1,016
Retained earnings	59,880	60,934	63,148	64,995	66,611
Minority interest	0	0	0	0	0
Total SHE + minority int.	60,863	61,917	64,164	66,011	67,627
Total liabilities & equity	92,451	84,939	85,990	91,493	96,793

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
EBIT	7,261	1,689	3,072	2,675	2,527
Depr. & amortization	3,101	2,995	3,010	3,118	3,226
Changes in working capital	(1,757)	1,282	974	(587)	(485)
Others	(4,196)	561	(858)	(828)	(911)
Cash flow from operating	4,409	6,527	6,198	4,378	4,356
Capital expenditure	(5,698)	(5,698)	(2,000)	(2,000)	(2,000)
Others	191	2,624	0	0	0
Cash flow from investing	(5,508)	(3,074)	(2,000)	(2,000)	(2,000)
Loans	3,312	3,312	(980)	3,000	3,000
Equity	0	0	0	0	0
Dividends	(2,309)	(2,309)	0	0	0
Others	0	(4,753)	(44)	76	79
Cash flow from financing	1,003	(3,750)	(1,023)	3,076	3,079
Changes in cash	(99)	(280)	3,175	5,453	5,436

Key Ratios	2023A	2024A	2025F	2026F	2027F
Gross margin	12.3%	9.5%	11.3%	10.7%	10.3%
Operating margin	6.1%	1.7%	3.3%	2.7%	2.4%
Pre-tax margin	5.8%	1.4%	3.0%	2.4%	2.0%
Net margin	4.5%	1.0%	2.4%	1.9%	1.6%
ROA	5.9%	1.1%	2.6%	2.1%	1.7%
ROE	9.0%	1.6%	3.5%	2.8%	2.4%
Acct. receivables TO (days)	6.3	7.0	7.0	7.0	7.0
Inventory TO (days)	164.6	177.7	172.7	167.7	162.7
Payable TO (days)	4.2	4.5	4.5	4.5	4.5
Debt to equity	22.0%	15.1%	13.1%	17.3%	21.3%
Interest coverage ratio (x)	12.5	3.4	7.4	5.5	4.0
Net gearing	15.0%	9.2%	2.4%	-1.4%	-5.0%

Sources: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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